

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT**

October 31, 2013

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Louisiana Association of Community
Action Partnerships, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Louisiana Association of Community Action Partnerships, Inc. (a non-profit organization), which comprise the statement of the financial position as of October 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana Association of Community Action Partnerships, Inc. as of October 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2014, on our consideration of The Louisiana Association of Community Action Partnerships, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Louisiana Association of Community Action Partnerships, Inc.'s internal control over financial reporting and compliance.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
July 14, 2014

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

STATEMENT OF FINANCIAL POSITION

October 31, 2013

ASSETS

Cash	\$ 158,211
Grants receivable (Notes A4 and B)	474,577
Property, plant, and equipment – at cost (Notes A5 and C)	<u>1,277,963</u>
Total assets	<u>\$ 1,910,751</u>

LIABILITIES AND NET ASSETS

Note payable – bank (Note D)	\$ 1,036,816
Accounts payable and accrued liabilities	247,365
Due to provider agencies	<u>543,082</u>
Total liabilities	<u>1,827,263</u>
Net assets	
Unrestricted	< 222,728 >
Temporarily restricted (Note F)	<u>306,216</u>
Total net assets	<u>83,488</u>
Total liabilities and net assets	<u>\$ 1,910,751</u>

The accompanying notes are an integral part of this financial statement.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

STATEMENT OF ACTIVITIES

For the year ended October 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE			
Grant appropriations	\$ -	\$ 43,643,799	\$ 43,643,799
Contributions	208,065	-	208,065
Membership dues	35,250	-	35,250
Other	116,373	-	116,373
Net assets released from restrictions	<u>43,794,814</u>	<u>< 43,794,814 ></u>	<u>-</u>
Total revenues	<u>44,154,502</u>	<u>< 151,015 ></u>	<u>44,003,487</u>
 EXPENSES			
Salaries	476,535	-	476,535
Fringe benefits	151,505	-	151,505
Contractual services	64,550	-	64,550
Professional fees	133,285	-	133,285
Insurance	61,204	-	61,204
Interest	70,085	-	70,085
Occupancy	76,282	-	76,282
Office expense	31,171	-	31,171
Monitoring	15,847	-	15,847
Summaries and meetings	38,741	-	38,741
Subrecipient costs	42,753,702	-	42,753,702
Vehicle expenses	6,754	-	6,754
Equipment	50,566	-	50,566
Depreciation	211,874	-	211,874
Training	98,487	-	98,487
Other costs	<u>21,646</u>	<u>-</u>	<u>21,646</u>
Total expenses	<u>44,262,234</u>	<u>-</u>	<u>44,262,234</u>
 Increase <decrease> in net assets	< 107,732 >	< 151,015 >	< 258,747 >
Net assets, beginning of year	<u>< 114,996 ></u>	<u>457,231</u>	<u>342,235</u>
Net assets, end of year	<u>\$ < 222,728 ></u>	<u>\$ 306,216</u>	<u>\$ 83,488</u>

The accompanying notes are an integral part of this financial statement.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

STATEMENT OF CASH FLOWS

For the year ended October 31, 2013

Cash flows from operating activities:	
Increase <decrease> in net assets	\$ < 258,747>
Adjustments to reconcile increase <decrease> in net assets to net cash used in operating activities:	
Depreciation	211,874
Changes in assets and liabilities:	
<Increase> decrease in grants receivable	601,435
<Increase> decrease in provider agencies receivables	36,856
<Increase> decrease in other receivables	43,794
<Increase> decrease in prepaid expenses	8,012
Increase <decrease> in accounts payable and accrued liabilities	< 374,594>
Increase <decrease> in due to provider agencies	< 456,384>
Net cash provided by <used in> operating activities	< 187,754>
Cash flows from financing activities:	
Proceeds from notes payable	26,000
Payments of notes payable	< 41,039>
Net cash provided by <used in> financing activities	< 15,039>
Net increase <decrease> in cash and cash equivalents	< 202,793>
Cash and cash equivalents, beginning of year	361,004
Cash and cash equivalents, end of year	\$ 158,211
Cash flow information:	
Interest paid	\$ 54,577

The accompanying notes are an integral part of this financial statement.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

The Louisiana Association of Community Action Partnerships, Inc. (LACAP) is a non-profit corporation that was established for the primary purpose of the promotion of economic and social opportunities on behalf of the Louisiana's indigent population, as well as the promotion of quality education and training for all human services providers. The mechanism for the delivery of these services is through the membership of the forty-two community action agencies (Member CAAs) that cover all sixty-four parishes in the state.

The function of LACAP is to (1) provide an organization through which all community action agencies in Louisiana can work together to further the goals and objectives of said agencies; (2) bring about more effective cooperation between community action agencies and other community and faith-based organizations that have similar objectives; (3) participate in and strengthen community action agencies' professional organizations; and, (4) provide training and technical assistance to agencies.

2. Financial Statement Presentation

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the corporation maintains them permanently. Generally, the donors of these assets permit the corporation to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. **Revenue Recognition**

Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

4. **Receivables**

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

5. **Property, plant and equipment**

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives, on a straight-line basis. Depreciation expense for the year ended October 31, 2013 totaled \$211,874.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

6. **Cash equivalents**

For purposes of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

7. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

8. **Fair Values of Financial Instruments**

Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Functional Allocation of Expenses

The expenses of providing the program and other activities have been summarized on a functional basis in Note I. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

10. Subsequent Events

The subsequent events of the corporation were evaluated through the date the financial statements were available to be issued (July 14, 2014).

NOTE B –GRANTS RECEIVABLE

Grants receivable at October 31, 2013 consist of the following:

Louisiana Housing Corporation	<u>\$ 474,577</u>
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NOTE C - PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment at October 31, 2013 consists of the following:

Buildings	\$ 888,022
Improvements	179,287
Transportation equipment	259,863
Equipment	<u>858,159</u>
	2,185,331
Less accumulated depreciation	<u>< 1,012,368 ></u>
	1,172,963
Land	<u>105,000</u>
	<u>\$ 1,277,963</u>

Certain grant requirements restrict the use of certain fixed assets. Substantially all fixed assets acquired with grant funds could revert to the grantor if those fixed assets would cease to be used in that program.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2013

NOTE D - NOTES PAYABLE

The notes payable at October 31, 2013 consist of the following:

Note payable - bank is a \$250,000 revolving line-of-credit, with an interest rate of 3.25%.	\$ 249,729
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Note payable - bank is an installment note bearing an interest rate of 5.25%, payable in monthly installments of \$7,214, with a final payment due March, 2016	<u>787,087</u>
	<u>\$ 1,036,816</u>

The notes payable are secured by land and building

The aggregate maturities of the debt are as follows:

<u>Year ending</u> <u>October 31</u>	
2014	\$ 299,007
2015	49,190
2016	<u>688,619</u>
	<u>\$ 1,036,816</u>

The interest expense for the notes payable for the year ended October 31, 2013 totaled \$54,577.

NOTE E - BOARD OF DIRECTORS

The board of directors is a voluntary board; therefore, no compensation was paid to any board member.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at October 31, 2013 consist of the following:

Property & equipment - restricted (See Note C)	<u>\$ 306,216</u>
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NOTE G - INCOME TAXES

The Corporation is exempt from corporate income taxes under Section 501(c)(4) of the Internal Revenue Code.

The Corporation has adopted the provision of FASB ASC 740-10-25, which requires a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The corporation does not believe its financial statements include any uncertain tax positions. The Corporation's tax returns for the year ended 2010 and 2011 remain open and subject to examination by taxing authorities. The Corporation's 2012 tax return for the year ended October 31, 2013 has not yet been filed as of the report date.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

October 31, 2013

NOTE H - PENSION PLAN

The corporation has a 401(k) pension plan for its eligible employees. Employees are eligible to participate in the plan after one year of services. Employees may elect to contribute up to 10% percent of their earnings, with the corporation matching a percentage of the participants' contributions. The pension expense for the year ended October 31, 2013 totaled \$2,880, which is included in fringe benefit costs in the Statement of Activities.

NOTE I – FUNCTIONAL EXPENSES

The functional expenses for the year ended October 31, 2013 are as follows:

Program expenses	
Home energy assistance	\$ 35,587,759
Weatherization	<u>7,807,436</u>
	<u>43,395,195</u>
Supportive services	
Management and general	<u>867,039</u>
	<u>\$ 44,262,234</u>

NOTE J – SUBSEQUENT EVENTS

The corporation ceased its operation in 2014. In March, 2014, the corporation sold its land and building to Louisiana Housing Corporation. In addition, its personal property was transferred to Louisiana Housing Corporation.

SUPPLEMENTAL INFORMATION

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended October 31, 2013

<u>PROGRAM TITLE</u>	<u>PASS THROUGH CONTRACT NO.</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENT COSTS</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
TTA/State CAA Association	-	93.570	\$ 107,365	\$ 47,952
Passed through Louisiana Housing Corporation: Home Energy Assistance Program	-	93.568	<u>35,663,807</u>	<u>35,022,915</u>
Total U. S. Department of Health and Human Services			<u>35,771,172</u>	<u>35,070,867</u>
U. S. DEPARTMENT OF ENERGY				
Weatherization Assistance Program - ARRA (How to Field Guide)	-	81.042	58,038	-
Passed through Louisiana Housing Corporation Weatherization Assistance Program - ARRA	-	81.042	965,285	900,593
Weatherization Assistance Program	-	81.042	<u>6,743,184</u>	<u>6,544,221</u>
Total U. S. Department of Energy			<u>7,766,507</u>	<u>7,444,814</u>
Total Federal Awards			<u>\$ 43,537,679</u>	<u>\$ 42,515,681</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Presentation of Financial Statements

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded, for financial reporting purposes, when The Louisiana Association of Community Action Partnerships, Inc. has met the cost of reimbursement or funding qualifications for the respective grants.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
The Louisiana Association of Community Action Partnerships, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Louisiana Association of Community Action Partnerships, Inc. (non-profit organization), which comprise the statement of financial position as of October 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Louisiana Association of Community Action Partnerships, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Louisiana Association of Community Action Partnerships, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as described in item 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Louisiana Association of Community Action Partnerships, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance, or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-2.

The Louisiana Association of Community Action Partnerships, Inc.'s Response to Findings

The Louisiana Association of Community Action Partnerships, Inc.'s response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Louisiana Association of Community Action Partnership, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
July 14, 2014

Justin J. Scanlan, C.F.A., F.T.C.

A LIMITED LIABILITY COMPANY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors

The Louisiana Association of Community Action Partnerships, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Louisiana Association of Community Action Partnerships, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Louisiana Association of Community Action Partnerships, Inc.'s major federal programs for the year ended October 31, 2013. The Louisiana Association of Community Action Partnerships, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Louisiana Association of Community Action Partnerships, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Louisiana Association of Community Action Partnerships, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Louisiana Association of Community Action Partnerships, Inc.'s compliance.

Basis for Qualified Opinion on Home Energy Assistance Program

As described in the accompanying schedule of findings and questioned costs The Louisiana Association of Community Action Partnership, Inc. did not comply with requirements regarding the Home Energy Assistance Program, CFDA #93.568 as described in finding number 2013-3 for Subrecipient Monitoring. Compliance with such requirement is necessary, in our opinion, for The Louisiana Association of Community Action Partnership, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Home Energy Assistance Program

In our opinion, except for the non-compliance described in the "Basis for Qualified Opinion" paragraph, The Louisiana Association of Community Action Partnership, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Home Energy Assistance Program for the year ended October 31, 2013.

Unmodified Opinion on Compliance for Each of the Other Major Federal Programs

In our opinion, The Louisiana Association of Community Action Partnership, Inc. complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended October 31, 2013.

Other Matters

The Louisiana Association of Community Action Partnership, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Louisiana Association of Community Action Partnership, Inc.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of The Louisiana Association of Community Action Partnerships, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Louisiana Association of Community Action Partnerships, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate to the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Louisiana Association of Community Action Partnerships, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a significant deficiency.

The Louisiana Association of Community Action Partnerships, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Louisiana Association of Community Action Partnerships, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
July 14, 2014

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended October 31, 2013

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- | | | |
|---|------------------|-------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> X </u> yes | <u> </u> none reported |
| Noncompliance material to financial statements noted? | <u> X </u> yes | <u> </u> no |

Federal Awards

Internal control over major programs:

- | | | |
|---|------------------|-------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> X </u> yes | <u> </u> none reported |

Type of auditor's report issued on compliance for major programs:

Unmodified -
Weatherization Assistance Program
Weatherization Assistance Program-
ARRA

Qualified -
Home Energy Assistance
Program

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133?

 X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.368	U. S. Department of Human Services: Home Energy Assistance Program
81.042	U. S. Department of Energy: Weatherization Assistance Program
81.042	Weatherization Assistance Program-ARRA

Dollar threshold used to distinguish between type A and B
programs:

\$1,306,130

Auditee qualified as low-risk auditee?

 yes X no

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended October 31, 2013

B. FINANCIAL STATEMENTS FINDINGS

SIGNIFICANT DEFICIENCY

2013-1. APPROVAL OF INVOICE

Statement of Condition: Eight of the forty disbursements tested were not properly authorized for payment in accordance with LACAP's internal control policies.

Criteria: LACAP's internal control policies require that all invoices be authorized before payment.

Effect of Condition: Payment of invoices that are not properly approved could result in nonallowable or improper expenses.

Cause of Condition: LACAP failed to follow its policies of approving all invoices before payments are made.

Recommendation: LACAP should follow its internal accounting policies regarding approval of invoices.

Responses: See Corrective Action Plan.

COMPLIANCE

2013-2. AUDIT REQUIREMENTS

Statement of Condition: The audit of the financial statements were not completed within six months after the fiscal year-end.

Criteria: State law requires the audit of the financial statements be completed within six months after the fiscal year-end.

Effect of Condition: LACAP was not in compliance with the Louisiana state audit law.

Cause of Condition: The prior auditor resigned before completion of a timely audit. LACAP had to engage another auditor to complete the audit of the financial statements.

Recommendation: LACAP should adhere to the state audit requirements and monitor its completion in a timely manner.

Responses: See Corrective Action Plan.

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended October 31, 2013

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

COMPLIANCE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Questioned
Costs

2013-3. SUBRECIPIENT MONITORING

Home Energy Assistance Program - CFDA No. 93.568; Grant period - year ended October 31, 2013; Funds passed through Louisiana Housing Corporation

Statement of Condition: LACAP's monitoring activities of the Home Energy Assistance program did not include the issuance of a formal report at the conclusion of the monitoring activities of its subrecipients. No report was issued for four of the six subrecipients examined.

	<u>Population</u>	<u>Tested</u>
Subsequent Costs:	\$ 35,022,915	\$ 9,777,858
No. of subsequents:	44	6

Criteria: LACAP's subrecipient monitoring procedures call for a review and evaluation, notification, and follow up.

Effect of Condition: Failure to issue a formal monitoring report violates LACAP's subrecipient monitoring procedures.

Cause of Condition: LACAP's contract with the outside monitoring company expired and the organization's subrecipient monitoring was done in-house.

Questioned Costs: None.

Recommendation: LACAP should require its employees to issue a formal report upon the completion of monitoring its subrecipients.

Responses: See Corrective Action Plan.

SIGNIFICANT DEFICIENCY
ALL PROGRAMS

2013-1. APPROVAL OF INVOICES

Statement of Condition: Eight of the forty disbursements tested were not properly authorized for payment in accordance with LACAP's internal control policies.

<u>Population</u>	<u>Items Tested</u>
\$1,746,553	\$195,894

THE LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended October 31, 2013

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

2013-1. APPROVAL OF INVOICES - CONTINUED

Questioned
Costs

Criteria: LACAP's internal control procedures require that all invoices be authorized before payment.

Effect of Condition: Payment of invoices that are not properly approved could result in nonallowable or improper expenses.

Cause of Condition: LACAP failed to follow its policies of approving all invoices before payments are made.

Questioned Costs: None.

Recommendation: LACAP should follow its internal accounting policies regarding approval of invoices.

Responses: See Corrective Action Plan.

Total Questioned Costs

\$ -

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

The prior year audit findings are as follows:

		<u>Resolved</u>	<u>Unresolved</u>	<u>Current Finding No.</u>
2012-FS-1	Approval of Invoices		X	2013-1
2012-FS-2	Timeliness of Accounting Procedures	X		
2012-FS-3	Misappropriation of Funds	X		
2012-MP-1	Subrecipient Monitoring		X	2013-3
2012-MP-2	Approval of Invoices		X	2013-1
2012-MP-3	Incentive Pay	X		



LACAP, Inc.
Louisiana Association of Community Action Partnerships, Inc.
Post Office Box 459, Sicily Island, LA 71368
Phone 318.389.4810 Fax 318.389.4815

July 28, 2014

Justin J. Scanlan, CPA, LLC
4769 St. Roch Avenue
New Orleans, LA 70122

Re: Louisiana Association of Community Action Partnerships, Inc.
Audit for Period End October 31, 2013 – Corrective Action Plan

Dear Mr. Scanlan:

As Board Chairperson/COO, on behalf of the Board of Directors, we respectfully submit the following response to the three specified findings for the Audit ending October 31, 2013:

2013-1. Approval of Invoices – This agency provides assurance that LACAP shall follow the internal accounting policies regarding authorization prior to payment of invoices, as well as specified individuals that have been given authority to approve any/all invoices.

2013-2. Audit Requirements – This agency provides assurance that the annual financial statements shall be filed with the Louisiana Legislative Auditor within six months of the Agency's year end.

2013.3. Subrecipient Monitoring – This agency provides assurance that, at the completion of in-house subrecipient monitoring, a formal report shall be submitted to the appropriate staff member for presentation to the Board of Directors.

Should you have additional questions, please feel free to contact this office.

Sincerely,

Dorothy C. Oliver
Board Chairperson/COO

/DCO

Dorothy Oliver
President

Irby Hornsby
Vice President

Dinah Landry
Secretary

Almetra Franklin
Treasurer

Thelma French
Parliamentarian